PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Guardian and Trustee for Saskatchewan as at March 31, 2004 and the statements of common fund undistributed earnings and changes in trust funds for the year then ended. The Public Guardian and Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Guardian and Trustee as at March 31, 2004 and the results of its operations and the changes in its trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 16, 2004

Fred Wendel, CMA, CA
Provincial Auditor

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

BALANCE SHEET

MARCH 31, STATEMENT 1

(in 000's)

	2004	2003 Restated (Note 9)
ASSETS		
Cash and Due from General Revenue Fund (Note 5)	$ 2,494	$ 3,190
Accrued Interest Receivable	797	860
Common Fund Securities (Schedule 1 & Note 4)	116,577	103,828
Individual Trust Assets (Schedule 2)	19,066	16,620
TOTAL ASSETS	$ 138,934	$ 124,498
LIABILITIES		
Accounts Payable (Note 6)	$ 2,103	$ 2,336
Mortgages and Loans Payable	310	256
	2,413	2,592
Trust Equity		
Trust Equity	126,970	127,547
Undistributed Earnings/(Losses) (Statement 2)	9,551	(5,641)
	136,521	121,906
TOTAL LIABILITIES AND TRUST EQUITY	$ 138,934	$ 124,498

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

STATEMENT OF COMMON FUND UNDISTRIBUTED EARNINGS

MARCH 31,

STATEMENT 2

(in 000's)

	2004	2003 Restated (Note 9)
REVENUE		
Interest and Dividend Income	$ 4,112	$ 4,254
Realized Gains, Losses and Market Value Appreciation (Note 3)	14,582	(10,951)
	18,694	(6,697)
Less: Management Fees	(251)	(221)
Earnings Available for Distribution	18,443	(6,918)
Distributed Earnings		
Interest and Dividends	(3,920)	(3,497)
Realized and Unrealized Capital Gains	669	38
Undistributed Earnings Previous Year	(5,641)	4,736
UNDISTRIBUTED EARNINGS, END OF YEAR	$ 9,551	$ (5,641)

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

STATEMENT OF CHANGES IN TRUST FUNDS

MARCH 31, STATEMENT 3

(in 000's)

	2004	2003 Restated (Note 9) (Note 10)
Increase In Trust Funds		
Trust Funds Acquired		
Cash	$ 2,700	$ 3,254
Common Fund Earnings/(Losses) Available for Distribution	18,443	(6,918)
Other Amounts Received on Behalf of Clients	23,765	26,266
Total Increase in Trust Funds	44,908	22,602
Decrease In Trust Funds		
Trust Funds Released		
Cash	15,106	18,593
Payments Made on Behalf of Clients	17,076	18,296
Administrative Fees	2,374	2,463
Total Decrease in Trust Funds	34,556	39,352
Net Change in Non-cash Assets	4,263	(2,057)
Increase/(Decrease) in Trust Funds	14,615	(18,807)
Balance, Beginning of Year	121,906	140,713
TRUST FUNDS, END OF YEAR	$ 136,521	$ 121,906

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. Authority and Purpose

Effective April 1, 1984 the Office of the Public Guardian and Trustee of Saskatchewan was established pursuant to *The Public Trustee Act* and continued under *The Public Guardian and Trustee Act. The Public Trustee Act* was repealed and *The Public Guardian and Trustee Act* was proclaimed effective May 17, 2002.

Section 3(1) of *The Public Guardian and Trustee Act* states:

> 3(1) The Public Trustee is continued as a corporation sole under the name of the Public Guardian and Trustee of Saskatchewan.

Section 3(3) of *The Public Guardian and Trustee Act* states:

> 3(3) The public guardian and trustee is the successor in office to:
>
> > (a) the Official Guardian appointed pursuant to *The Infants Act*; and
> > (b) the Administrator of Estates appointed pursuant to *The Administration of Estates of Mentally Disordered Persons Act.*

Effective November 12, 1992, the Public Trustee became the official administrator for each judicial centre pursuant to *The Queen's Bench Act.* (Now *The Administration of Estates Act*)

Effective August 13, 2002, the Public Guardian and Trustee became responsible for holding property for persons whose whereabouts are unknown.

The mandate of the Public Guardian and Trustee is to protect vulnerable persons. The primary functions of the Office are:

(a) administering the property and finances of adults who are mentally incompetent;
(b) protecting property rights of children under the age of eighteen;
(c) administering the affairs of deceased persons; and
(d) holding property for persons whose whereabouts are unknown.

2. Scope of the Financial Statements

These financial statements reflect the assets and liabilities of estates and trusts under the administration of the Public Guardian and Trustee. In addition, these financial statements reflect the annual changes in those assets and liabilities including:

a) revenue earned on behalf of clients;
b) income received on behalf of clients;
c) new client account additions;
d) released client withdrawals;
e) payments made on behalf of clients; and
f) administration fees payable to the Public Guardian and Trustee.

3. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions in determining the reported amounts for assets and liabilities. Actual results could differ from management's best estimates, as additional information becomes available. The following policies are considered significant.

Common Fund Securities

The Public Guardian and Trustee Act provides as follows:

47(1) The Public Guardian and Trustee shall:

(a) place money received by the Public Guardian and Trustee pursuant to this Act, any other Act or court order in a common fund; and

(b) subject to the approval of the Investment Board, invest in the name of the Public Guardian and Trustee that part of the common fund which in the Public Guardian and Trustee's opinion is not immediately required for persons for whom the Public Guardian and Trustee holds funds.

Common fund securities, primarily bonds, debentures and shares are stated at market value. Market value is determined with reference to closing year-end sale prices from recognized security dealers. In the absence of recorded sales, market value is determined by reference to closing year-end bid and ask prices.

Short-term investments are stated at cost, which approximates market value.

Common Fund Income Recognition

Income earned on common fund securities is recorded using the accrual basis of accounting with amounts earned in the fiscal year but not received prior to the year-end reflected as accrued interest receivable.

Common Fund Distribution

Common fund investments generate interest, dividends, realized and unrealized capital gains (losses) income. Pursuant to section 5, 6 and 7 of *The Public Guardian and Trustee Regulations,* interest, dividends and gains/(losses) income earned on the common fund investments are to be calculated and distributed to client trust accounts after the end of each quarter. Section 6 and 7 outline how interest and dividends shall be calculated. Section 7 allows the Public Guardian and Trustee to set the amount of capital gains (losses) to be distributed.

As the investment accounts are stated at market value, the undistributed interest, dividends and capital gains (losses) for the quarter ended March 31 are included in the financial statements as part of the investment value and the undistributed client equity. These interest, dividends and capital gains (losses) amounts are distributed to the client equity accounts in the following year.

Individual Trust Securities

Individual trust securities, primarily term deposits, bonds and RRSP accounts are initially stated at **market value** at the date the Public Guardian and Trustee assumes control of the securities. For financial statement purposes, these securities are adjusted to the market value annually using the most recent valuation information available. Adjustments between the most recent available information and March 31 of each year for a particular client are likely minimal and would affect the value of the asset and the trust liability equally.

Shares are initially recorded at the market value at the time the public guardian and trustee assumes responsibility for control of the investment. Subsequent

increases or decreases in the market value are reflected in the trust accounts annually. Where a market value for a share is not readily available, the shares are recorded for accountability purposes at a nominal value of $1.

Other Assets

Other assets consist of commodities, real estate, personal property, life insurance policies, pension plans and annuity contracts and are stated at the following values:

(a) **Commodities** are stated at market value, which is determined annually with reference to the estimated final delivery price for the particular commodity.
(b) **Real estate,** including real estate holdings for infants where the Public Guardian and Trustee is appointed property guardian, are initially recorded at appraised value at the date the Public Guardian and Trustee assumes control of the asset or at cost if the real estate is purchased on behalf of clients by the Public Guardian and Trustee. Real estate values are adjusted to appraised values annually. If no valuation information is available, these assets are recorded at a nominal value of $1.
(c) **Miscellaneous Personal Property** is stated at amounts determined from information available to the Public Guardian and Trustee at the date the Public Guardian and Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of $1.
(d) **Life Insurance Policies** that carry a cash surrender value are stated at the cash surrender value as determined with reference to the most recent valuation information available prior to March 31. Policies that do not carry a cash surrender value are stated at a nominal value of $1.
(e) **Pension Plans and Annuity Contracts** are stated at residual value as determined with reference to the most recent evaluation information available prior to March 31 of each year. Pension plans and annuity contracts with no residual value are stated at a nominal value of $1.

Accounts, Mortgages and Loans Payable

Accounts, mortgages and loans payable represent encumbrances of client assets that are payable to independent third parties. These client obligations are settled, as client resources become available. In some cases, a client's liabilities exceed the stated value of their assets. These items are included as accounts payable and are paid, as the resources of the client become available to do so.

Administration Fees

Pursuant to the provisions of *The Public Guardian and Trustee Regulations,* the Public Guardian and Trustee may charge a fee for services performed in the management of client accounts. Such fees charged are payable to the General Revenue Fund of the Province of Saskatchewan.

4. Common Fund Securities

Common Fund Securities are invested through a single "common" fund to ensure consistency of return among clients. The investment objectives of the common fund are to achieve at least market returns with prudent risk diversification, with the potential for enhanced returns through active investment management for a majority of the portfolio. The Public Guardian and Trustee recognizes that there are diverse time horizons for its clients and that capital preservation is of primary concern. The employed investment objectives include a multiple asset, total return approach which values all types of investment income equally, a moderate income requirement to supplement other liquidity sources, a requirement for stability and maximization of return and a degree of inflation protection and capital appreciation.

The Public Guardian and Trustee recognizes that, by their nature, investments carry with them certain risks. The investment policy employed by the Public Guardian and Trustee is designed to mitigate these risks as much as possible by placing restrictions on the overall content and quality of the permitted investments. The following describes the risks associated with the investment portfolio, managed through an investment manager, by the Public Guardian and Trustee.

Price Risk

Price risk refers to the potential that the value of investments will fluctuate as a result of foreign currency, interest rate and general market changes.

The value of the common fund investments will fluctuate with changes in foreign currency, interest rate and general market changes. To mitigate these risks the Public Guardian and Trustee works with an investment manager that actively manages asset class allocations through a balanced fund approach. The employed investment policy limits foreign currency exposure by permitting a maximum of 40% foreign investment with a stated benchmark of 26% foreign investment. The

policy also limits market risk by permitting a maximum of 50% equity investment, including foreign equities with a benchmark of 40% equity investment. The Public Guardian and Trustee manages interest rate risk by limiting the quantity and quality of interest rate sensitive investments to a maximum of 100% of the portfolio with a benchmark of 60% fixed income securities. Market risk is managed by taking a conservative prudent approach to investment.

Credit and Liquidity Risk

Credit and liquidity risk arises from the potential for an investee to fail or for an issuer to default on its obligations to the common fund. The Public Guardian and Trustee mitigates this risk by limiting the quantity and quality of the permitted investments to high quality, highly rated equity investments and highly rated fixed income securities.

5. Due from the General Revenue Fund

The Public Guardian and Trustee's operating bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest earned on the balance attributed to the public guardian and trustee is calculated and paid quarterly into the Public Guardian and Trustee's operating account using the Government's thirty day borrowing rate and the Public Guardian and Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for the year-ended March 31, 2004 is 2.79% (For the year-ended 2003 it was 2.62%)

6. Accounts Payable

Accounts payable consist of the following balances:

(in 000's)

	2004	2003
Accounts Payable to Third Parties	$ 960	$ 871
Administration Fees Payable to the Public Guardian and Trustee	1,143	1,465
	$ 2,103	$ 2,336

7. Common Fund Earnings Distributions

In April 2004, the Public Guardian and Trustee, set the amount of distributable interest, dividends and capital gains (losses) for the quarter ended March 31, 2004, in the amounts as follows (in 000's): interest $744 (2003 - $800), dividends $59 (2003 - $67), foreign dividends $49 (2003 - $37) and capital gain(loss) $451 (2003 – ($860)). As the investment accounts are stated at market value, these income and loss amounts are included in the financial statements as part of the investment value and the undistributed client equity. These income and loss amounts are distributed to the client equity accounts in April 2004.

8. Related Party Transactions

Administration

In accordance with section 53 of *The Public Guardian and Trustee Act*, all general administrative and employee costs required for the administration of the Office of the Public Guardian and Trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

The Public Guardian and Trustee holds and invests funds for the Victim's Fund established pursuant to *The Victims of Crime Act, 1995*. Earnings are allocated pursuant to sections 5, 6 and 7 of *The Public Guardian and Trustee Regulations*, but no fee pursuant to those regulations is charged.

The trust equity held on behalf of the Victim's Fund, the amount due to the Victim's Fund, and the Common Fund earnings distributed to the Victim's Fund is as follows:

	(in 000's)	
	2004	2003
Trust Equity at March 31	$ 1,485	$ 2,381
Common Fund earnings distributed During the year	$ 73	$ 80
Common Fund earnings to be Distributed in April	$ 19	$ 1

9. Prior Period Restatement

The Public Guardian and Trustee restated its prior year financial statements to record the recovery of amounts that had been incorrectly distributed to clients in the 1999/2000 fiscal year. The Public Guardian and Trustee recovered these amounts and corrected its client's accounts in 2001/2002. However, the Undistributed Earnings and Trust Equity balances reported in its financial statements had not been adjusted to reflect the recovery of these funds.

As a result, the Undistributed Earnings beginning balances for 2003 and 2004 were increased by (in 000's) $2,561 and Trust Equity beginning balances were decreased by the same amount.

10. Comparative Information

Certain 2003 numbers have been reclassified to conform with the current year's presentation.

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

SCHEDULE OF COMMON FUND SECURITIES

FOR THE PERIOD ENDED MARCH 31, SCHEDULE

(in 000's)

	2004		2003	
Bonds and Debentures	$	% of Portfolio	$	% o Portfo
Government of Canada	35,403	30%	29,606	2
Province of Saskatchewan	1,245	1%	1,420	
Other Provinces	13,451	12%	12,905	1
Corporations	12,965	11%	15,035	1
Total Bonds and Debentures*	63,064		58,966	
EAFE Pooled Equity Fund	14,154	12%	11,205	11
Other Equities				
Canadian	16,972	15%	14,115	14
Foreign	17,014	15%	12,540	12
Short Term Investments*	5,373	5%	7,002	7
TOTAL COMMON FUND SECURITIES	$ 116,577		$ 103,828	
Total Canadian Investments	$ 85,409	73%	$ 80,083	77
Total Foreign Investments	31,168	27%	23,745	23
TOTAL COMMON FUND SECURITIES	$ 116,577		$ 103,828	

* All investments held are Canadian

PUBLIC GUARDIAN AND TRUSTEE FOR SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

INDIVIDUAL TRUST ASSETS

FOR THE PERIOD ENDED MARCH 31, SCHEDULE 2

(in 000's)

	2004	2003
Accounts Receivables	$ 2,899	$ 2,903
Commodities	68	102
Individual Investments	6,078	4,472
Personal Property and Insurance	2,413	1,966
Real Estate	7,608	7,177
Total Individual Trust Assets	$ 19,066	$ 16,620